

## Message Text

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ACTION EUR-12

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC, ETRD

SUBJECT: US-EC POULTRY CONSULTATIONS

1. BEGIN SUMMARY: US-EC TECHNICAL DISCUSSIONS ON POULTRY TOOK PLACE ON JANUARY 16, 1975. US SIDE EMPHASIZED DISRUPTIVE EFFECT OF EC SUPPLEMENTARY LEVIES ON US EXPORTS AND SUGGESTED CERTAIN TECHNICAL ADJUSTMENTS IN THE POULTRY CAP TO AFFORD SOME RELIEF TO EXPORTERS. THE COMMISSION REPRESENTATIVES AGREED TO CONSIDER US SUGGESTIONS. THEY INDICATED THAT EC POULTRY INDUSTRY IS IN THE SAME DISTRESSED STATE AS THAT OF THE US, BUT THAT THEY ARE WILLING TO CONSIDER SUGGESTIONS FOR IMPROVING THE OPERATION OF THEIR POULTRY SYSTEM. END SUMMARY

2. US DELEGATION HEADED BY ANDERSON, FAS/USDA, MET ON THE MORNING OF JANUARY 16 WITH EC COMMISSION OFFICIALS TO DISCUSS RECENT INCREASES IN EC GATE PRICES AND SUPPLEMENTARY LEVIES FOR POULTRY AND THE EFFECT OF THESE INCREASES ON US EXPORTS TO THE EC. THE EC SIDE WAS CHAIRED BY VAN AGTMAAL, CHIEF OF THE COMMISSION'S POULTRY

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DIVISION, AND INCLUDED TECHNICAL AND OTHER REPRESENTATIVES FROM THE

AGRICULTURAL AND FOREIGN RELATIONS DIRECTORATES.

3. IN THE AFTERNOON OF THE SAME DAY, A BRIEF MEETING WAS ALSO HELD WITH MALVE, DIRECTOR OF INTERNATIONAL AFFAIRS IN THE AGRICULTURAL DIRECTORATE GENERAL, TO SUMMARIZE THE US POSITION AND TO RE-EMPHASIZE THE IMPORTANCE THE US ATTACHES TO THE POULTRY ISSUE. IN THE MORNING SESSION, ANDERSON HAD STRESSED OUR DISAPPOINTMENT THAT BOTH MALVE AND FIEING, WHO CO-CHAIRLED THE SESSIONS THE PREVIOUS DAY ON CHEESE, WERE CONSPICUOUSLY ABSENT IN THE POULTRY TALKS. MALVE APOLOGIZED FOR HIS ABSENCE AND THAT OF FIELDING AT THE TECHNICAL-LEVEL DISCUSSIONS IN THE MORNING, AND EXPRESSED THE HOPE THAT WE WOULD NOT CONSTRU THEIR ABSENCE TO MEAN THAT THE EC WAS DOWNGRADING THE TALKS ON POULTRY.

4. IN THE MEETING WITH MALVE, THE US DELEGATION STRESSED THE FOLLOWING SPECIFIC AREAS OF CONCERN WHICH HAD BEEN EXPLAINED IN GREAT DETAIL IN THE TECHNICAL DISCUSSIONS: (A) THE RECENT INCREASE IN GATE PRICES AND SUPPLEMENTARY LEVIES HAVE SERIOUSLY DISRUPTED US EXPORTS TO THE EC, PARTICULARLY IN TURKEY PARTS; (B) THE GATE PRICE FOR WHOLE TURKEYS, WHICH THEORETICALLY SHOULD REFLECT THIRD COUNTRY MARKETING AND PRODUCTION COSTS, IS OUT OF LINE WITH COSTS IN THE US, BY FAR THE WORLD'S LEADING TURKEY PRODUCER; (C) THE CONVERSION COEFFICIENTS OF 0.90 AND 1.55 USED TO DERIVE THE GATE PRICE FOR TURKEY DRUMSTICKS AND THIGHS, RESPECTIVELY, FROM THE GATE PRICE FOR WHOLE BIRDS DIFFER GREATLY (FAR EXCEED) THE VALUE RELATIONSHIPS IN THE US BETWEEN THESE PARTS AND WHOLE TURKEYS; (D) THE SINGLE GATE PRICE OF \$1.48 PER POUND FOR ALL BONED POULTRY MEAT COVERS PRODUCTS IMPORTED FROM THE US WHICH RANGE IN VALUE FROM \$0.20 PER POUND FOR COMMINUTED MEAT TO \$1.50 PER POUND FOR BONED BREASTS; (E) THE VARIABILITY OF THE SUPPLEMENTARY LEVIES, AND THE VERY SHORT TIME PERIOD (3 DAYS) BETWEEN THE DATE OF THEIR ANNOUNCEMENT BY THE COMMISSION AND THE DAY OF APPLICATION, CREATES GREAT UNCERTAINTY AMONG IMPORTERS AND EXPORTERS AND THEREBY HAS A DISRUPTIVE EFFECT ON TRADE.

5. WE URGED THE COMMISSION TO GIVE SERIOUS CONSIDERATION TO OUR EXPORT PROBLEMS AND TO CONSIDER MEANS OF RELIEF SO THAT OUR LIMITED OFFICIAL USE

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TRADE IN POULTRY COULD CONTINUE. IN THIS CONNECTION WE SUGGESTED THAT THE COMMISSION CONSIDER THE FOLLOWING ADJUSTMENTS IN THE POULTRY CAP. FIRST, A RE-CALCULATION OF THE GATE PRICE FOR TURKEYS TO BETTER REFLECT US COSTS OF PRODUCTION. SECOND, A REDUCTION IN THE COEFFICIENTS FOR TURKEY DRUMSTICKS AND THIGHS TO 60 PERCENT AND 90 PERCENT RESPECTIVELY OF THE TURKEY GATE PRICE. THIRD, SOME TYPE OF DIFFERENTIATION IN THE GATE PRICE FOR BONED MEAT TO TAKE INTO

ACCOUNT THE DIFFERENCES IN VALUE OF PRODUCTS COVERED. IN THE SAME VEIN, WE PROPOSED THAT A SUPPLEMENTARY LEVY NOT BE APPLIED TO A SPECIFIC IMPORT PRICED AT OR ABOVE THE GATE PRICE. LASTLY, WE SUGGESTED THAT POULTRY IMPORTERS HAVE THE SAME OPPORTUNITY AS GRAIN IMPORTERS TO PRE-FIX LEVIES FOR 60 TO 90 DAYS. WE ALSO PROPOSED EXTENDING THE PERIOD OF TIME BETWEEN ANNOUNCEMENT AND APPLICATION OF THESE LEVIES.

6. THE COMMISSION REPRESENTATIVES SAID THEY WOULD GIVE SERIOUS CONSIDERATION TO OUR REQUESTS. THEY STRESSED THAT THE EC POULTRY INDUSTRY, LIKE THE US INDUSTRY, IS PRESENTLY PLAGUED BY RISING COSTS, STAGNATING CONSUMPTION, ETC. HOWEVER, THEY DID NOT CLOSE THE DOOR ON THE POSSIBILITY OF MAKING CERTAIN ADJUSTMENTS IN THE POULTRY CAP.

7. MALVE RECOGNIZED THAT THE US HAS A SERIOUS PROBLEM IN EXPORTING POULTRY TO THE EC WHILE THE EC HAS A PROBLEM IN EXPORTING CHEESE TO THE US. LANDE, STR, POINTED OUT THAT THERE WAS NO DIRECT LINK BETWEEN THE TECHNICAL TALKS ON CHEESE AND THOSE ON POULTRY. BUT HE SAID THAT THEY ARE BOTH PROBLEMS OF SERIOUS CONCERN TO BOTH SIDES. THE US DELEGATION INDICATED THAT FURTHER DISCUSSIONS WOULD TAKE PLACE AT THE POLICY LEVEL CONSULTATIONS NEXT WEEK.  
GREENWALD

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